

### **ADMINISTRATIVE AGREEMENT**

This Administrative Agreement ("Agreement") dated November 25, 2013, is made between Aerospace/Defense Coatings of Georgia, Inc. ("ADCG") and the United States Department of the Air Force ("Air Force"). As used herein, "ADCG" means, without limitation Aerospace/Defense Coatings of Georgia, Inc. and all other operating divisions, units and wholly-owned subsidiaries of Aerospace/Defense Coatings of Georgia, Inc. and all entities acquired or established by Aerospace/Defense Coatings of Georgia, Inc. during the term of this Agreement.

### **PREAMBLE**

1. ADCG (DUNS No. 82-825-8210 and CAGE: 02EH1) is a Government contractor, which has its principal place of business in Macon, GA.
2. On August 26, 2013, the Air Force proposed for debarment ADCG. The Air Force's proposed debarment action was based on ADCG's repeated violations of Occupational Safety & Health Administration (OSHA) standards, spanning the course of several years. In total, ADCG committed eighty-three (83) OSHA violations over a five year span, from 2008 through 2013, incurring over \$400,000 in penalties. Of the 83 violations, eight were categorized "willful," eleven were categorized "repeat," and sixty-four (64) were categorized "serious." On November 17, 2010, OSHA cited ADCG for twenty-four (24) violations, eleven (11) of which involved the same standard, 29 C.F.R. 1910.1026, hexavalent chromium exposure. On April 2, 2013, OSHA cited ADCG for three violations involving hexavalent chromium with proposed penalties totaling \$83,160. The first violation was classified as "willful," citing ADCG for willfully failing to provide change rooms for employees handling hexavalent chromium in accordance with 29 CFR 1910.1026(i)(1). The second violation was classified as "repeat," citing ADCG for failing to ensure employee exposure to airborne hexavalent chromium was below the permissible level in accordance with 29 CFR 1910.1026(c). The third violation was classified as "repeat," citing ADCG for allowing employees to consume food or beverages at a worksite where hexavalent chromium was present.
3. Following the proposed debarment action, ADCG responded to the Air Force on September 12, 2013, and provided supplemental responses on October 8, 2013, and November 14, 2013. ADCG represents that it has, among other things:

- a. Corrected and remained in compliance with a vast majority of hexavalent chromium violations issued by OSHA throughout the course of the last five (5) years.
  - b. Hired a full time industrial hygienist to help ADCG achieve OSHA compliance.
  - c. Engaged the services of two expert workplace safety and health consultants, both of whom are former OSHA officials, to work with ADCG to formulate solutions to enable compliance with the OSHA hexavalent chromium standard.
  - d. Purchased new paint spray guns that reduce overspray, and installed magnehelic gauges in its spray booths to more accurately measure the flow of air.
  - e. Modified its equipment used in the painting process, including the tables that parts are placed on for painting; ADCG will continue to explore such alternatives.
  - f. Provided and will continue to provide medical surveillance and examinations for its employees to help detect and address any potential health problems brought about as a result of exposure to hexavalent chromium.
  - g. Required the use of protective clothing and equipment, including respirators, by its employees. Specifically, ADCG provided and requires its employees to wear Tyvex suits covering their entire body, including feet, hands, and head, along with a hood incorporating air-supplied respiratory protection providing clean, fresh breathing air delivered from outside the spray booths.
  - h. Expended nearly \$300,000 to date to comply with the OSHA standard regarding hexavalent chromium.
4. On November 15, 2013, ADCG and the Department of Labor (Labor), pursuant to the pending Occupational Safety and Health Review Commission (OSHRC) proceeding regarding ADCG's 2013 OSHA citations, reached a settlement ("OSHRC Agreement"), the terms of which the presiding OSHRC judge affirmed in an Order Approving Settlement entered on November 19, 2013. Pursuant to the OSHRC Agreement and Order, ADCG:
- a. Will have all 2013 OSHA citations abated by February 15, 2014.
  - b. Will construct a change room, adjacent to the paint booths, located immediately outside both of ADCG's locations in Macon, GA. The change rooms must be completed by December 15, 2013.
  - c. Will develop and implement a procedure to be utilized in its break room facilities that will maintain those areas as free as practicable of hexavalent chromium. This

procedure must be completed by December 15, 2013.

- d. Will develop and implement feasible engineering and work-practice controls to ensure that employee exposure to airborne concentrations of hexavalent chromium in its spray paint booths is at or below the permissible exposure limit.
- e. Will continue to provide quarterly monitoring results to OSHA detailing hexavalent chromium levels in its paint booths and break room facilities for one year after full abatement has been achieved.

5. The Air Force and ADCG agree that FAR Subpart 9.406 (debarment) provided a legally sufficient basis for ADCG's debarment.

6. ADCG takes responsibility for the misconduct identified herein. Moreover, this Agreement is intended to provide assurances to the Government that ADCG is presently responsible and that, notwithstanding the basis for the debarment, ADCG can be trusted to deal fairly and honestly with the Government, and that the debarment of ADCG is not necessary to protect the Government's interests. Based on the representations and submissions ADCG has made to date, ADCG demonstrated that it is presently responsible and has the honesty and integrity required of Government contractors. As such, the Air Force agrees, based upon the facts currently known, to terminate the proposed debarment of ADCG and further agrees not to debar ADCG, subject to the terms and conditions in the Articles set forth below.

#### ARTICLES

7. **DEBARMENT.** The proposed debarment of ADCG is terminated, without prejudice, following execution of this Agreement by the Air Force. The Air Force shall retain the ability to institute administrative actions, including without limitation, suspension or debarment, for any reason consistent with FAR Subpart 9.4, at its sole discretion. The Air Force's ability to institute administrative actions under this Article 7 is in addition to the provisions of Article 11 (Breach of Agreement paragraph) *infra*.

8. **PERIOD OF AGREEMENT.** This Agreement shall become effective upon its execution by the Air Force. The terms and conditions of this Agreement shall continue in force and effect, and the period of this Agreement shall be three years starting from the execution date of this Agreement by the Air Force. The Air Force retains the right to terminate this Agreement any time prior to the three year term if, in its sole discretion, the Air Force determines that

ADCG is in full compliance with the Agreement, the responsibility issues articulated in the Preamble to this Agreement are no longer a concern, and ADCG's compliance with this Agreement is therefore no longer necessary to protect the Government's interests.

9. **EMPLOYEES.** The word Employee(s) in this Agreement includes ADCG's officers; permanent and temporary employees; full-time, part-time, and subcontracted employees; domestic and internationally-located employees and consultants; and members of the Board of Directors.

10. **MANAGEMENT.** As it pertains to this Agreement, the word Management or Manager(s) in this Agreement includes all ADCG Officers, Board of Directors, and any other members that exercise a controlling influence in deciding substantive ADCG matters; and members who ADCG considers as being in supervisory positions.

11. **BREACH OF AGREEMENT.** If, at any point during the term of this Agreement, the Air Force determines, in its sole discretion, that ADCG breached a term of the Agreement or failed to meet any requirement of this Agreement, the Air Force may terminate this Agreement and suspend, or initiate proceedings to debar ADCG, its Employees, and other agents, as appropriate. ADCG hereby acknowledges that any future OSHA citations issued to ADCG for violations involving hexavalent chromium, or other workplace standards, will be considered by the Air Force as a basis for terminating this Agreement and initiating debarment proceedings.

12. **SELF-GOVERNANCE PROGRAM.** ADCG shall implement and maintain an improved self-governance program that includes a Business Ethics and Compliance program (collectively, "Program") covering all Employees. The Program shall be maintained so as to ensure that ADCG and its Employees maintain the business honesty and integrity required of a Government contractor and that ADCG operates in strict compliance with all applicable laws, regulations, and terms of all of its government contracts and subcontracts. The Program shall include an information and education effort designed to assure that all Employees are aware of all laws, regulations, and standards of business conduct they are expected to follow, their expected ethical conduct, and the consequences both to the Employee and ADCG that shall ensue from any violation. Training consists of at least one hour of annual, scenario-based ethics training to all Employees taught by their Managers, compliance training as needed, plus at least one hour of initial ethics and compliance training for every new Employee.

13. **CODE OF CONDUCT AND EMPLOYEE CERTIFICATION.** ADCG shall establish and maintain the Program and a Code of Conduct ("Code") acceptable to the Air Force. The Code shall be circulated to each employee of ADCG. After reading the Code, each current employee shall sign a certification that he or she read and understood the Code within 60 days of the Agreement. ADCG shall continue to maintain the certifications in a register open to inspections to the Air Force. Thereafter, at least once each calendar year, every employee shall read the Code and re-sign a certification of Code compliance. The certificates shall be maintained and available for the Air Force's review and inspection during the period of this Agreement.

14. **MANAGEMENT RESPONSIBILITY.** ADCG's Management has the primary responsibility of implementing and updating the Program and the Code. In doing so, ADCG shall ensure that an individual with suitable background and experience serve as ADCG's Chief Ethics and Compliance Officer. ADCG shall designate this individual within thirty (30) days of the date of the execution of this Agreement. During the term of this Agreement, the Air Force must approve the selection of the Chief Ethics and Compliance Officer. This individual shall serve in a capacity, as part of ADCG's Management, so as to ensure transparency and accountability of the Program.

15. **ADCG REPORTING REQUIREMENTS:**

a. **PRESIDENT'S REPORT.** On a quarterly basis, the President shall submit a written report to the Air Force describing the measures taken by ADCG during the reporting period to ensure compliance with this Agreement. The President's report shall be delivered on a quarterly basis in accordance with Exhibit A. The reports shall include: (a) information about the status of all internal and Government investigations concerning OSHA standards that are pending, resolved, or initiated from ADCG's last reporting period; (b) indications of any problems or weaknesses regarding ADCG's compliance with OSHA standards, the corrective action proposed or initiated, and the status of any corrective action (c) what actions ADCG has taken/implemented toward a proactive approach of complying with OSHA standards; (d) information about the status of all internal and Government investigations concerning procurement-related matters and all allegations of business ethics or integrity-related misconduct that are pending, resolved,

or initiated from the Company's last reporting period (e) and information required by other Articles and subsections of the Agreement.

b. **ADCG CONSULTANT REPORTS.** During the first year of this Agreement, on a quarterly basis, ADCG shall forward to the Air Force, reports from its workplace safety and health consultants, Mr. Jim Drake, and Mr. Dave Williams. The quarterly reports by Messrs. Drake and Williams will detail ADCG's effort to maintain compliance with OSHA standards and otherwise maintain safe workplaces at its two facilities. The reports shall also identify the consultants' recommendations to ADCG of measures appropriate for securing compliance with OSHA's workplace standards. Within 30 days of the date of the consultants' reports, ADCG shall submit to the Air Force what, if any, measures it intends to take in response to the consultants' recommendations.

c. **HOTLINE.** ADCG shall post Notices providing the phone numbers to report fraud, waste, and abuse and/or security violations to the Inspector General of the Department of Defense in conspicuous areas of their facilities within 15 days of the execution of this Agreement.

d. **REPORTS OF MISCONDUCT.** ADCG shall report to the Air Force, within 30 days of discovery by management, any suspected misconduct that management has reasonable grounds to believe may constitute a violation of U.S. criminal or civil law. ADCG shall investigate all reports of such misconduct that come to its attention and shall notify the Air Force of the outcome of such investigations and any potential or actual impact on any aspect of ADCG's business. This requirement is in addition to other reporting requirements articulated in this Agreement, and any disclosure to an agency Office of the Inspector General and contracting officer (copies of which ADCG shall provide to the Air Force) pursuant to FAR Subpart 52.203-13; but this requirement may also be accompanied by a duplicate copy of a disclosure if within the applicable time period of the suspected misconduct.

16. **LEGAL PROCEEDINGS.** ADCG shall notify the Air Force within 30 working days of the time ADCG's Chief Executive Officer or President, learns of: (a) the initiation of any criminal or civil investigation by any U.S. federal, state, or local government entity involving any allegations of U.S. criminal or civil law violations, or any other offenses relating to ADCG's business integrity, if ADCG has reason to believe that it is a target or subject of such

investigation; (b) service of subpoenas by any such U.S. governmental entity, if ADCG has reason to believe that it is a subject or target of the investigation; (c) service of search warrants and/or searches carried out by any U.S. government entity in any ADCG facility; or (d) initiation of any legal action against ADCG, or any of its Managers, Employees, affiliates, or agents by any U.S. government entity alleging violations of any U.S. criminal or civil law or any other offenses relating to ADCG's business integrity. ADCG shall provide to the Air Force as much information as necessary to allow the Air Force to determine the impact of the investigative or legal activity upon the present responsibility of ADCG for Government contracting.

17. **MEETING.** The Air Force and the President of ADCG shall meet within seven months of the date of execution of this Agreement to discuss the status of ADCG's Program and implementation of this Agreement. Subsequently, between two and four months prior to the expiration of this Agreement, the President shall meet with the Air Force to discuss the status of ADCG's Program and implementation of this Agreement. All meetings may be done telephonically or by video teleconference.

18. **PREFERRED SUPPLIER PROGRAM.** ADCG instituted or agrees to institute a Preferred Supplier program within 60 days of the date of execution of the Agreement. The Preferred Supplier program shall be designed so as to reward its suppliers and subcontractors that have instituted and maintained compliance and values-based ethics programs.

19. **EMPLOYMENT OF SUSPENDED OR DEBARRED INDIVIDUALS.** ADCG agrees to institute within 60 days, a written policy stating it shall not knowingly employ an individual who is listed by a Federal Agency as debarred, suspended, or otherwise ineligible for federal programs. To carry out the policy, ADCG shall reasonably inquire into the status of any potential Employee. Such reasonable inquiry shall include, at a minimum, review of the General Services Administration's (GSA) System for Award Management (SAM) to verify the list of parties that are excluded from federal procurement and nonprocurement programs. ADCG is not required to terminate the employment of Employees who are suspended, or proposed for debarment. ADCG, however, shall remove such Employees from responsibility for or involvement with ADCG's Government contracts businesses until the resolution of such suspension or proposed debarment. In addition, if any Employee is charged with a criminal offense relating to the honesty and integrity of the business or such Employee, ADCG shall remove that Employee immediately from responsibility for or involvement with ADCG's

Government contracts businesses. If the Employee is convicted or debarred, ADCG shall terminate the employment of such Employee with ADCG. In addition, ADCG shall notify the Air Force of such personnel action taken, and the reasons therefore, within 15 working days of the action.

**20. BUSINESS RELATIONSHIPS WITH SUSPENDED OR DEBARRED ENTITIES.**

ADCG has instituted, or agrees to institute within 60 days, a written policy stating it shall not knowingly form a contract with, purchase from, or enter into any business relationship with any individual, business entity or business entity controlled by an individual that is listed by a Federal Agency as suspended, debarred, or proposed for debarment. To effectuate this policy, ADCG shall make reasonable inquiry into the status of any potential business partner, to include, at a minimum, review of the General Services Administration's (GSA) System for Award Management (SAM) to verify the list of parties that are excluded from federal procurement and nonprocurement programs. Notwithstanding any other provision of this paragraph, ADCG may enter into a business relationship with a suspended or debarred contractor, if ADCG first determines in writing that a compelling reason justifies the action and furnishes a copy of that determination to the Air Force within 10 days prior to ADCG entering into such a business relationship. ADCG shall not enter into a business relationship with a suspended or debarred entity if the Air Force objects. In addition to the provisions of this Article, ADCG shall comply with the requirements of FAR 9.405-2(b) and provide to the Air Force a copy of the documents submitted to the contracting officer pursuant thereto.

**21. UNALLOWABLE COSTS.** ADCG agrees that all costs, as defined in FAR 31.205-47(a), incurred by, for, or on behalf of ADCG or any current or former employee, affiliate, or agent pursuant to defending the Air Force's proposed debarment action, or negotiating this Agreement, shall be expressly unallowable costs for Government contract accounting purposes. However, ADCG's present and future costs of maintaining, operating, and improving ADCG's workplace safety program(s) are allowable costs for purposes of this Agreement.

**22. ADVERSE ACTIONS.** ADCG avers that adverse actions taken, or to be taken, by ADCG against any employee or other individual associated with ADCG arising out of or related to the conduct at issue here were solely the result of ADCG's initiatives and decisions and were not the result of any action by, or on behalf of, agents or employees of the United States.

23. **PRESENT RESPONSIBILITY.** ADCG's compliance with the terms and conditions of this Agreement shall constitute an element of ADCG's present responsibility for Government contracting. By entering into this Agreement, the Air Force is not determining that ADCG is presently responsible for any specific Government contract.

24. **NOTIFY EMPLOYEES.** ADCG has notified all Employees of the fact and substance of this Agreement, the nature of the wrongdoing leading to this Agreement, and the importance of abiding by the terms of the Agreement and all requirements of law, regulations, and ADCG's policies and procedures.

25. **ADCG SALE OF BUSINESSES.** In the event that ADCG sells or in any way transfers ownership of any part of its business, ADCG shall notify the Air Force in advance and shall require the acquiring entity or transferee, as a condition of the sale or transfer, to remain bound by the terms of this Agreement for the duration of this Agreement, including, but not limited to, all reporting requirements.

26. **ADCG PURCHASE OF BUSINESSES.** In the event that ADCG purchases or establishes new business units after the effective date of this Agreement, ADCG shall implement all provisions of this Agreement, including all training and education requirements, within 60 calendar days following such purchase or establishment.

27. **WAIVER.** ADCG hereby waives all claims, demands, or requests for monies from the Government, of any kind or nature including, but not limited to, in law or in equity, that ADCG, its parent and/or its subsidiaries may have or may develop in the future arising from or related to any investigation, or resulting from any administrative or judicial proceedings relating to the facts and circumstances giving rise to the debarment and this Agreement.

28. **RELEASE.** ADCG hereby releases the United States, its instrumentalities, agents, and employees in their official and personal capacities, of any and all liability or claims arising out of or related to the investigation, the proposed debarment, or the discussions leading to this Agreement.

29. **PARAGRAPH HEADINGS.** The paragraph headings in this Agreement are inserted for convenient reference only and shall not affect the meaning or interpretation of this Agreement.

30. **COUNTERPARTS.** This Agreement may be executed in one or more counterparts, each of which shall be an original, but all of which taken together, shall constitute one and the same Agreement.

31. **AIR FORCE RELIANCE.** ADCG represents that all written materials and other information supplied to the Air Force directly by ADCG's authorized representatives or through its counsel, during the course of discussions with the Air Force preceding this Agreement are true and accurate, to the best information and belief of ADCG, ADCG also represents that it has provided to the Air Force all information in its possession relating to the facts at issue. ADCG understands that this Agreement is executed on behalf of the Air Force in reliance upon the truth, accuracy, and completeness of all such representations.

32. **ENTIRE AGREEMENT.** This Agreement constitutes the entire agreement between the parties and supersedes all prior agreements and understandings, whether oral or written, relating to the subject matter hereof. This Agreement shall be binding upon and be enforceable by the parties hereto and their respective successors and assigns.

33. **EXTRAORDINARY EVENTS.** If ADCG is affected by an extraordinary event or circumstance beyond its control, ADCG shall not be deemed to be in breach of this Agreement, by reason of delay in performance or non-performance of this Agreement to the extent that the delay or non-performance is due to any extraordinary event of which ADCG has timely notified the Air Force.

34. **RESTRICTION ON USE.** ADCG shall not use any term of this Agreement, the existence of this Agreement, or the termination of ADCG's suspension, for any purpose related to the defense or litigation of, or in mitigation of any criminal, civil, or administrative investigation or proceedings.

35. **BANKRUPTCY.** Bankruptcy proceedings shall not affect the enforcement of this Agreement in the interests of the Government.

36. **AUTHORIZED REPRESENTATIVE.** Thomas W. Scott, Jr. is fully authorized to execute this Agreement and represents that he has authority to bind ADCG.

37. **SEVERABILITY.** In the event that any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect other provisions of this Agreement.

38. **NOTICES.** Any notices, reports, or information required hereunder shall be in writing and delivered or mailed by registered, certified, or expedited postal or delivery service, with postage prepaid as follows:

If to ADCG, to:

Thomas W. Scott, Jr.  
President and CEO  
Aerospace/Defense Coatings of Georgia, Inc.  
7700 N.E. Industrial Blvd.  
Macon, GA 31216-7746

If to the Air Force, to:

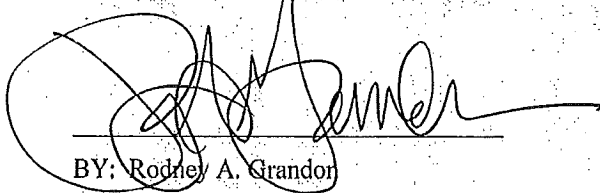
Rodney A. Grandon  
Deputy General Counsel for Contractor Responsibility  
Department of the Air Force  
1235 S. Clark Street, Suite 300  
Arlington, VA 22202

Or such other name and/or address as either party shall have designated by notice in writing to the other party.

39. **PUBLIC DOCUMENT.** This Agreement and any related Air Force administrative decisions and documents are public documents. Moreover, in accordance with FAR 9.406-3(f)(1), this Agreement will be published in the Federal Awardee Performance and Integrity Information System (FAPIS) in addition to the Air Force General Counsel, Office of Contractor Responsibility (SAF/GCR) public website. However, all documents submitted by ADCG were provided voluntarily for the Air Force to evaluate ADCG's present responsibility. ADCG's submissions may contain sensitive trade secrets or other proprietary information that may cause harm to ADCG if released. Any release must comply with the Freedom of Information Act or any similar laws and regulations. Additionally, the Air Force shall collaborate with ADCG to prevent unnecessary disclosure.

40. **PROPOSED CHANGES OR MODIFICATIONS TO THIS AGREEMENT.**  
Changes, amendments, or modifications to this Agreement shall only be made and agreed to by a written document signed by the Air Force and ADCG. No changes shall be implemented without the prior approval of the Air Force.

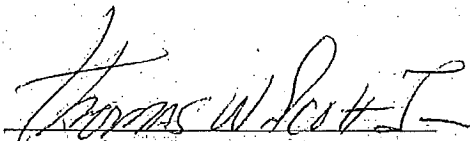
**DEPARTMENT OF THE AIR FORCE**



BY: Rodney A. Grandon  
Deputy General Counsel  
(Contractor Responsibility)

DATE: November 26, 2013

**AEROSPACE/DEFENSE COATINGS OF GEORGIA, INC.**



BY: Thomas W. Scott, Jr.  
President and CEO

DATE: 11/25/13

## **EXHIBITS**

### **(A) Due Dates for Reports and Other Deliverables**

**Exhibit A –Due Dates for Reports and Other Deliverables**

Name	Reference(s)	Due Date(s)
President's Report	Paragraph 15(a)	Quarterly from date of Agreement: 3/1/14; 6/1/14; 9/1/14, 12/1/14; 3/1/15; 6/1/15; 9/1/15; 12/1/15; 3/1/16; 6/1/16; 9/1/16; 12/1/16.
ADCG Consultants' Reports	Paragraph 15(b)	Quarterly during the first year of this Agreement: 3/1/14; 6/1/14; 9/1/14; 12/1/14
ADCG Report Regarding Consultants' Recommendations	Paragraph 15(b)	Within thirty (30) days of ADCG Consultants' Reports: 4/1/14; 7/1/14; 10/1/14; 1/1/15